

## Message Text

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70

ACTION EB-11

INFO OCT-01 ARA-16 ISO-00 CAB-09 CIAE-00 COME-00 DODE-00

DOT-00 INR-11 NSAE-00 RSC-01 FAA-00 L-03 NSC-07 SS-20

TAR-02 TRSE-00 AID-20 OMB-01 FRB-03 XMB-07 DRC-01

/113 W

----- 076161

R 091755Z SEP 74

FM AMCONSUL RIO DE JANEIRO

TO SECSTATE WASHDC 1342

INFO AMEMBASSY BRASILIA

AMCONSUL SAO PAULO

LIMITED OFFICIAL USE RIO DE JANEIRO 3386

E.O. 11652: N/A

TAGS: ETRN, BR

SUBJECT: CIVAIR: FOREIGN GOVERNMENT SUBSIDIES TO FOREIGN  
AIRLINES

REF: (A) STATE 162608; (B) RIO 2054

1. FOLLOWING RESPONSES ARE NUMBERED TO CORRESPOND  
TO PARAGRAPHS IN REFTEL (A). BRAZIL'S FOUR SCHEDULED  
AVIATION COMPANIES ARE TRANSBRASIL, VASP, CRUZEIRO DO  
SUL AND VARIG, THE LATER TWO BEING BOTH DOMESTIC AND  
INTERNATIONAL CARRIERS.

A. BRAZILIAN FEDERAL GOVERNMENT HAS NO DIRECT EQUITY  
PARTICIPATION OR MANAGEMENT ROLE IN BRAZIL'S SCHEDULED  
COMMERCIAL AVIATION COMPANIES. LEGAL DISPOSITION OF  
ASSETS PREVIOUSLY OWNED BY PAN AIR DO BRASIL, IN WHICH  
GOB HAD MINORITY INTEREST, IS STILL PENDING. FOR THE  
TIME BEING, VARIG HAS TAKEN OPERATIONAL CONTROL OF  
THESE ASSETS. STATE OF SAO PAULO HAS EQUITY POSITION IN  
VASP, A DOMESTIC CARRIER.

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B. GOB PROVIDES NO LOANS TO NATIONAL AIRLINES.  
BANK OF BRASIL GRANTS LOANS TO COMMERCIAL AVIATION  
COMPANIES, BUT THESE LOANS ARE BELIEVED TO CARRY PREVAILING  
INTEREST CHARGES. VARIG FINANCES MOST OF ITS PURCHASES  
THROUGH FOREIGN LOANS.

C. COMMENTS ON THIS QUESTION CONTAINED IN PARA 2 OF REFTEL (B).

D. NATIONAL TOURIST OFFICE ADVERTISEMENTS ABROAD  
NATURALLY ENHANCE PUBLIC IMAGE OF BRAZIL'S INTERNATIONAL  
CARRIERS. SUCH ADVERTISEMENTS NORMALLY HAVE DIRECT OR  
IMPLICIT REFERENCE TO THESE AIRLINES, MUCH AS U.S. TRAVEL OFFICE  
POSTERS PICTURE AIRCRAFT OF ONE OR ANOTHER  
U.S. INTERNATIONAL CARRIER.

E. WE ARE UNAWARE OF ANY TOURIST GIVE-AWAY PACKAGES  
FINANCED BY NATIONAL TOURIST ORGANIZATION THAT MIGHT BE  
IDENTIFIED WITH NATIONAL CARRIER.

F. BRAZIL PAYS UPU RATES FOR MAIL CARRIAGE, GIVING  
PREFERENCE TO NATIONAL CARRIERS WHENEVER POSSIBLE.

G. MILITARY CARGO NORMALLY CARRIED ON MILITARY  
AIRCRAFT. ANY SUCH CARGO TRANSPORTED BY COMMERCIAL  
COMPANY WOULD REPRESENT EXTREMELY SMALL PORTION OF  
CARRIER'S TOTAL OPERATION. WE HAVE NO KNOWLEDGE OF  
RATE PAID TO COMMERCIAL CARRIERS FOR SUCH SERVICE, BUT  
ARE INCLINED TO BELIEVE THEY WOULD BE EXCEPTIONALLY  
LOW RATHER THAN HIGH.

H. CONGEN HAS BEEN ASSURED REPEATEDLY THAT NATIONAL  
CARRIERS AND THEIR INTERNATIONAL COMPETITORS PAY THE  
SAME SERVICE FEES IN BRAZIL.

I. VARIG MAINTAINS ITS OWN TRAINING PROGRAM.  
OTHER NATIONAL CARRIERS HAVE ONLY LIMITED TRAINING  
FACILITIES, DEPENDING INSTEAD ON FLYING CLUBS AND  
PRIVATE SCHOOLS. SOME MILITARY PILOTS JOIN COMMERCIAL  
AIRLINES AFTER RESIGNATION OR RETIREMENT FROM MILITARY  
SERVICE, BUT GOVERNMENT HAS NO PROGRAM DESIGNED SPECI-  
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FICALLY TO SUPPORT COMMERCIAL OPERATIONS. CIVIL  
AVIATION AUTHORITIES HAVE RECENTLY MENTIONED AN INTEREST  
IN ESTABLISHING TRAINING PROGRAMS FOR THE COMMERCIAL  
AIRLINES IN ORDER TO OVERCOME SEVER SHORTAGE OF PILOTS.  
PRESUMABLY, SUCH TRAINING WOULD SUPPORT THE MINOR  
AIRLINES RATHER THAN VARIG AND WOULD BE PROVIDED ON A  
REIMBURSABLE BASIS.

J. THIS SUBJECT DISCUSSED IN PARA 1 OF REFTTEL (B).

K. NEITHER OF BRAZIL'S INTERNATIONAL AIRLINES UTILIZES DOMESTICALLY PRODUCED AIRCRAFT, BUT GOB DOES INFLUENCE THEIR PROCUREMENT POLICIES THROUGH ITS CONTROL OVER IMPORT AUTHORIZATIONS, EVEN WHEN THIS INFLUENCE IS STRONG ENOUGH TO VIRTUALLY DETERMINE A COMPANY'S PURCHASE, HOWEVER, GOB PROVIDES NO COMPENSATORY SUBSIDY. THE TWO DOMESTIC CARRIERS UTILIZE BRAZILIAN MANUFACTURED AIRCRAFT. AT LEAST ONE OF THEM WAS PERSUADED TO PURCHASE THE BRAZILIAN AIRCRAFT WHEN GOB REFUSED ITS REQUEST FOR IMPORT AUTHORIZATION. DOMESTIC PURCHASES WERE ALSO PROMOTED BY FAVORABLE FINANCING TERMS.

2. IN THE PAST, PANAM REPRESENTATIVES HAVE FREQUENTLY COMPLAINED OF UNFAIR COMPETITION FROM VARIG CAUSED BY ALLEGED GOVERNMENT PREFERENCES AND SUBSIDIES. QUESTIONS POSED IN REF (A) HAVE BEEN PRESENTED TO LOCAL PANAM REPRESENTATIVE WITH REQUEST FOR HIS COMMENTS. WE WILL FORWARD THESE COMMENTS UPON THEIR RECEIPT.  
MILLER

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** ASSETS, CIVIL AVIATION, TRANSPORTATION SUBSIDIES, AIRLINES, BUSINESS FIRMS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 09 SEP 1974  
**Decaption Date:** 01 JAN 1960  
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**Disposition Approved on Date:**  
**Disposition Authority:** kelleyw0  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
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**Disposition History:** n/a  
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**Film Number:** D740250-0841  
**From:** RIO DE JANEIRO  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
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**Office:** ACTION EB  
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**TAGS:** ETRN, BR  
**To:** STATE  
**Type:** TE  
**Markings:** Declassified/Released US Department of State EO Systematic Review 30 JUN 2005